

Covalis Capital LLP (“Covalis” / the “Firm”)

MIFIDPRU 8 Disclosure

Introduction

The Financial Conduct Authority (“FCA” or “regulator”) in its Prudential sourcebook for MiFID Investment Firms (“MIFIDPRU”) sets out the detailed prudential requirements that apply to Covalis. In particular, Chapter 8 of MIFIDPRU (“MIFIDPRU 8” or the “public disclosures requirements”) sets out public disclosure obligations with which the Firm must comply, further to those prudential obligations.

Covalis is classified under MIFIDPRU as a small and non-interconnected investment firm (“SNI MIFIDPRU investment firm”). As such, MIFIDPRU 8 requires Covalis to disclose information regarding the Firm’s remuneration policy and practices.

The purpose of these disclosures is to give stakeholders and market participants an insight into the Firm’s culture, and to assist stakeholders in making more informed decisions about their relationship with the Firm.

This document has been prepared by Covalis in accordance with the requirements of MIFPRU 8 and is verified by the Executive Committee. Unless otherwise stated, all figures are as at the Firm’s 31 December financial year-end.

Remuneration Policy and Practices

Overview

As an SNI MIFIDPRU investment firm, Covalis is subject to the basic requirements of the MIFIDPRU Remuneration code. Covalis, as an alternatives investment fund manager, is also classified as a collective portfolio management investment firm, and as such, is also subject to the AIFM Remuneration Code. The purpose of the requirements on remuneration are to:

- Promote effective risk management in the long-term interests of the Firm and its clients;
- Ensure alignment between risk and individual reward;
- Support positive behaviours and healthy firm cultures; and
- Discourage behaviours that can lead to misconduct and poor customer outcomes.

The objective of Covalis’s remuneration policies and practices are to establish, implement and maintain a culture that is consistent with, and promotes, sound and effective risk management and does not encourage risk-taking which is inconsistent with the risk profile of the Firm and the services that it provides to its clients.

In addition, Covalis recognises that remuneration is a key component in how the Firm attracts, motivates and retains quality staff and sustains consistently high levels of performance, productivity and results. As such, the Firm’s remuneration philosophy is also grounded in the belief that its people are the most important asset and greatest competitive advantage.

Covalis is committed to excellence, teamwork, ethical behaviour and the pursuit of exceptional outcomes for its clients. From a remuneration perspective, this means that performance is determined through the assessment of various factors that relate to these values, and by making considered and informed decisions that reward effort, attitude and results.

Characteristics of the remuneration policy and practices

Remuneration at Covalis is made up of fixed and variable components. The fixed component is set in line with market competitiveness at a level to attract and retain skilled staff, which typically include fixed salary or drawings, medical cover, leave and various other allowances where applicable. Variable remuneration are paid on a discretionary basis. All staff members are eligible to receive variable remuneration.

• Bonuses

Bonus is paid on a discretionary basis at a varying percentage of fixed remuneration and takes into consideration the Firm's financial performance and the financial and non-financial performance of the individual in contributing to the Firm's success.

All staff are subject to annual performance review before a bonus is awarded. The review covers a variety of areas, as applicable to each individual's roles and responsibilities, including but not limited to contribution to investment or asset management success, team development, risk management, ESG, etc.

The fixed and variable components of remuneration are appropriately balanced: the fixed component represents a sufficiently high proportion of the total remuneration to enable the operation of a fully flexible policy on variable remuneration. This allows for the possibility of paying no variable remuneration component, which the Firm would do in certain situations, such as where the Firm's profitability performance is constrained, where there is a risk that the Firm may not be able to meet its capital or liquidity regulatory requirements, or where the performance hurdles set for relevant funds are not met.

Governance and Oversight

The Executive Committee is responsible for setting and overseeing the implementation of Covalis's remuneration policy and practices. In order to fulfil its responsibilities, the Executive Committee:

- Is appropriately staffed to enable it to exercise competent and independent judgment on remuneration policies and practices and the incentives created for managing risk, capital and liquidity;
- Prepares decisions regarding remuneration, including decisions which have implications for the risk and risk management of the Firm;
- Ensures that the remuneration policy and practices take into account the public interest and the long-term interests of shareholders, investors and other stakeholders in the Firm; and
- Ensures that the overall remuneration policy is consistent with the business strategy, objectives, values and interests of the Firm and of its clients.

Covalis's remuneration policy and practices are reviewed annually by the Executive Committee.

Quantitative Remuneration Disclosures

For the financial year 1 January 2022 to 31 December 2022, the total amount of remuneration awarded to all staff was £2.8m. The ratio between fixed and variable component (bonus and performance fee) is approximately 1:1.5. For these purposes, 'staff' is defined broadly, and includes, partners, employees and other personnel of the Firm.